

GAMING UPDATE

March 2005

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GAMING LICENSE RENEWAL PACKETS

The Licensing Section would like to remind all currently licensed gaming organizations that the state gaming license renewal packets will be mailed out during the week of March 28, 2005. We urge all organizations to submit their renewal documents no later than May 31, 2005, in order to receive their new license(s) prior to June 30, 2005.

In addition, to avoid a delay in the processing of the renewal documents, please be certain that all forms are filled out correctly and completely. Some of the most common errors for which the renewal forms are returned to the organization for correction are listed below:

- The site owner (lessor) listed on the rental agreement must be the legal name of the organization if a corporation, partnership, limited liability company, etc. If a site is individually owned by more than one individual (i.e., husband and wife) both names must be listed as the site owner on the rental agreement.
- All sections of the rental agreement must be filled out completely.
- On the site authorization, the specific location of gaming operations within a facility and the number of twenty-one tables must be completed.
- The renewal application and rental agreement must be signed by the Top Executive Official of the gaming organization.

We ask that any section of the renewal forms that mentions "Office Use," "Attorney General Use Only," or "State Use Only" not be completed by the gaming organization. These areas of the renewal forms will be completed by the Licensing Section.

Please contact either **Missy Tesky** or **Coleen Olson** at (701) 328-2329 or 1-800-326-9240 with any questions regarding the licensing renewal process.

OVERVIEW OF PROPOSED LEGISLATION

This is an overview of all gaming related bills and concurrent resolutions that have been introduced in the 2005 Legislative Session. The status indicated for the measures is as of February 28, 2005.

HOUSE BILL 1086

Relates to Private Security Personnel Allowed to Carry Firearms

This bill would allow private security personnel while on duty to carry firearms during the delivery or receiving of money at a liquor establishment or gaming site. Previously, private security personnel were not part of an exempt list of individuals who could carry firearms or dangerous weapons into liquor establishments or gaming sites.

- Status – The bill passed the House 92-0, passed the Senate 45-0, with an Emergency clause added, which will require reconsideration by the House.

HOUSE BILL 1087

Relates to Inspection of Gaming Equipment & Records

This bill would remove unnecessary language referencing a “site or premises” under the *Authority of the attorney general* in the gaming statute.

- Status – The bill passed the House 90-0, and passed the Senate 45-0, and is awaiting the Governor’s signature.

HOUSE BILL 1089

Relates to Games of Chance License Fees

This bill would increase the state games of chance license fee from \$150 to \$200 with the additional \$50 deposited in the attorney general’s operating fund. The increase is necessary to allow the gaming division to continue operating a toll-free telephone number and to continue training at sites out-



side of Bismarck. The most recent license fee increase was in August 1989.

- Status – The bill passed the House 72-15, and is pending in the Senate.

HOUSE BILL 1180

Relates to Animals as Prizes in a Raffle

This bill would enable an organization to purchase a live animal as a prize in a raffle. The present law allows the raffling of a live animal only if the prize is donated. *Note: The winning player must still have the option to receive cash rather than the live animal limited to the \$1,000 maximum cash prize payout.*

- Status – The bill passed both the House and the Senate, and is awaiting the Governor’s signature.

HOUSE BILL 1390

Relates to the Definition of Racing

The bill changes the definition of racing to include not only live or simulcast horse or dog racing under the certificate system but also includes the transmission of historic previously run horse and dog races. If approved the Racing Commission could approve the use of “Instant Racing” wagering devices, similar looking to a slot machine, but which take wagers through the pari-mutuel wagering system on

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previously run horse and dog races.

- Status – The bill was defeated 45-46, and a motion to reconsider failed.

HOUSE BILL 1455

Relates to Sports Wagering

This bill would allow betting on fantasy sports teams. A player's bet would be based on the player's knowledge of the skill, speed, strength, or endurance of professional sports teams and professional athletes. A prize would be awarded to the player or to the owner of an entry.

- Status – This bill was withdrawn prior to a committee hearing.

HOUSE BILL 1461

Relates to Poker

This bill was amended and would remove the present restrictions that limit poker to only two occasions per year and the limit of a bet to one dollar. Also, the bill would allow poker games in which players would play against the organization, rather than playing against themselves, would enable an organization to set a bet limit of up to \$25, with the option of setting a minimum bet limit on no more than one-half of the active tables, and would require video surveillance.

- Status – This bill was defeated by the House 33-59.

HOUSE BILL 1503

Relates to Organizations Conducting All Games Allowed Pursuant to the Tribal-State Compacts

This bill would allow all organizations eligible for licensure on January 1, 2004, to conduct all game types allowed under the tribal-state gaming compacts with a limit of 50 electronic gaming machines per site. Also, the bill limits new gaming sites from 1,000 feet of a gaming site that existed on January 1, 2004, limits the amount of rent for the new game

types, provides for a quarterly gaming tax of 10% to be allocated in a property tax relief fund which is distributed quarterly to cities and counties, and provides funds for compulsive gambling prevention and treatment.

- Status – This bill was defeated by the House 2-91.

HOUSE BILL 1509

Relates to Internet "Live" Poker

This amended bill would allow the conduct of internet "live" poker. Operators would be licensed and regulated by the Office of Attorney General and players would pay an annual license fee of \$10. Operators would be taxed (8% on the first one million dollars declining to 1/4 of 1% on amounts in excess of \$58 million) on amounts retained by the establishment as compensation with an annual transfer of 60% to county property tax relief, 20% to the common schools trust fund, and 20% to the general fund.

- Status – This bill passed the House 49-43, and is pending in the Senate.

HOUSE CONCURRENT RESOLUTION 3035

Relates to a Vote to Change the State's Constitution

This is a companion resolution to House Bill 1509 which would require a vote in 2006 to authorize the legislative assembly to establish internet live poker establishments in the state with licensing and regulation by the state. The constitution change would allow internet live poker establishments in the state to be operated by for-profit companies.

- Status – Hearing held on February 24th.

SENATE BILL 2025

Relates to Approval of the Tribal-State Gaming Compacts

This bill would require legislative assembly approval of any proposed gaming compacts changes between the tribes and the governor's office.

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GRANTS FOR LOCAL GAMING ENFORCEMENT

The 2003 Legislative Assembly appropriated \$617,000 for local gaming enforcement grants for the 2003-2005 biennium. This amount is 3% of the initial forecasted gaming and excise tax collections for this biennium. Grants are distributed on a quarterly basis. The share that a city or county receives each quarter is based on the gaming activity (adjusted gross proceeds) within the city and county in relation to statewide gaming activity, multiplied by the grant amount (3% of taxes collected) for that quarter. However, because a city or county must have a minimal level of gaming activity to qualify for a grant, only about 35 cities and counties qualify for a grant each quarter. Since gaming is conducted in about 310 cities and counties each quarter, a city's or county's share of the grants in relation to the total grant amount is not an accurate indicator for determining the level of gaming activity within the city or county compared to total statewide activity. For example, although 16.5% of the total statewide gaming activity occurred in the City of Fargo, the city has qualified to receive 20.3% of the grant distributed this quarter.

The 12 cities and counties that received the largest grant amounts during the most recent quarter are:

<u>City/County</u>	<u>Amount</u>	<u>Percent</u>
Fargo	\$14,497	20.3
Grand Forks	10,500	14.7
Bismarck	9,855	13.8
Minot	5,341	7.5
Ward County	4,661	6.5
Dickinson	3,588	5.0
West Fargo	2,999	4.2
Williston	2,918	4.1
Mandan	2,714	3.8
Jamestown	2,322	3.2
Valley City	1,539	2.2
Devils Lake	1,051	1.5
Other	<u>\$9,415</u>	<u>13.2</u>
Total	\$71,400	100.0



LOTTERY UPDATE

The North Dakota Lottery will celebrate its first anniversary in March. Powerball was launched on March 25, 2004. During this past year, many milestones have been reached - due mainly to the continued support of lottery players and great partnership the Lottery enjoys with its 400 retailers and online gaming system and marketing vendors.

The original forecast of lottery ticket sales for the 2003-05 biennium was \$11 million. That target was reached within six months. The latest forecast is \$22 - \$25 million. The original forecast of state general fund revenue was \$1.431 million and was achieved within three months. The latest forecast is \$6.2 million. Through February 23, the Lottery had reached \$18.5 million in sales. The Lottery has also transferred the total appropriated amount of \$400,000 to the Compulsive Gambling Prevention and Treatment Fund.

Retailers have earned over \$900,000 in sales commissions and players have won over \$4 million, including 3-\$100,000 winners; 2-\$25,000 winners; 1-\$15,000 winner; 6-\$10,000 winners; and 23-\$5,000 winners.

The Lottery's first anniversary will be celebrated by rewarding lottery players for their support through a "Cash Bonus" promotion. From March 1-31, players will have the chance to win \$5, \$10, or \$20 in instant cash at their Lottery retailers when they purchase any \$5 lottery ticket. Details about this promotion are now available at all Lottery retailers and the Lottery's website at www.ndlottery.org.

(Overview of Proposed Legislation - Continued from page 3)

- Status – This bill was defeated by the Senate 21-24.

SENATE BILL 2363

Relates to Use of Gaming Equipment and Devices

This bill excludes from the definition of gambling in the state's criminal code gaming equipment and devices used by any institution under the control of the state board of higher education for the purposes of conducting scientific research in controlled environments on the campus of the institution.

- Status – The bill passed the Senate 43-3, and is pending in the House.

SENATE BILL 2384

Relates to "Adequate" System of Internal Control in the Gaming Law

This bill removes an organizations requirement for establishing an "adequate" system of internal control from the gaming statute and transfers this responsibility for establishing a system of internal control to the gaming rules. (Note: The administrative rules will need to be modified to assist organizations in establishing the criteria for a proper system of internal controls.)

- Status – This bill passed the Senate 47-0, and is pending in the House.

* * *

LICENSING AND TAX RETURN INFORMATION

The following information was reported by the Attorney General's licensing and gaming systems as of November 15, 2004:

Organizations filing long form tax returns	163
Organizations filing short form tax returns	183
Total number of licensed gaming organizations	346
Total number of city or county licenses issued	607
Total number of sites authorized	875

NORTH DAKOTA GAMES OF CHANCE

ANALYSIS OF GAMING ACTIVITY

For the Quarter Ended September 30, 2004

	Gross Proceeds	Prizes	Adjusted Gross Proceeds
Bingo	\$9,991,601	\$7,709,953	\$2,281,648
Bingo - Dispensing Device	238	223	15
Raffles	500,746	228,192	272,554
Pull Tabs	23,546,001	18,715,201	4,830,800
Pull Tabs - Dispensing	13,006,099	10,104,800	2,901,299
Club Specials, Tip, Seal & Coin Boards	202,301	147,845	54,456
Punch Boards	5,318	3,932	1,386
Sports Pools	5,275	4,310	965
Twenty-One	17,350,577	14,685,026	2,665,551
Calcuttas	91,008	76,868	14,140
Paddlewheels	17,410	7,741	9,669
Paddlewheels – with Table	1,159,834	816,062	343,772
Other (Cash Long/Interest/Poker)	<u>19,288</u>	0	<u>19,288</u>
Totals:	\$65,895,696	\$52,500,153	\$13,395,543
Less: ND Excise Tax			1,583,685
Federal Excise Tax			24,957
Bingo Sales Tax			<u>570,340</u>
Total Adjusted Gross Proceeds			\$11,216,561
Less: Gaming Tax			786,920
Total Allowed Expenses			<u>6,566,328</u>
Total Deductible Expenses			\$7,353,248
Net Proceeds Earned			\$3,863,313
Eligible Use Contributions			\$4,800,829

TOP 20 ORGANIZATIONS

Quarter Ended September 30, 2004

Name	Active Sites	Gross Proceeds	Prizes	Adjusted Gross Proceeds
ND Association for the Disabled, Grand Forks	11	\$7,281,384	\$5,697,731	\$1,583,653
Plains Art Museum, Fargo	2	4,452,948	3,557,577	895,371
Prairie Public Broadcasting, Inc., Fargo	6	3,053,411	2,436,955	616,456
Minot Hockey Boosters, Inc.	21	1,985,523	1,622,350	363,173
Grand Forks Blue Line Club, Inc., Grand Forks	3	1,583,648	1,257,583	326,065
West Fargo Hockey Assn., Inc., West Fargo	7	1,642,459	1,338,546	303,913
Bismarck-Mandan CVB, Bismarck	6	1,424,015	1,149,692	274,323
Special Olympics North Dakota, Grand Forks	12	1,372,286	1,104,824	267,462
Fort Abraham Lincoln Foundation, Mandan	13	1,211,635	964,721	246,914
American Foundation for Wildlife, Bismarck	22	1,208,436	962,452	245,984
Listen Inc., Grand Forks	6	1,345,704	1,105,843	239,861
Northern Prairie Performing Arts, Fargo	8	1,438,913	1,200,528	238,385
Development Homes, Inc., Grand Forks	9	1,513,948	1,279,442	234,506
Minot Junior Golf Association, Inc., Minot	4	942,924	755,749	187,175
Williston State College FND, Williston	8	926,125	743,479	182,646
The ARC Upper Valley Inc., Grand Forks	11	917,586	749,005	168,581
Red River Human Services FND, Fargo	4	1,011,812	848,783	163,029
Dickinson Youth Activities, Inc., Dickinson	4	759,879	606,425	153,454
Greater Grand Forks CVB, Grand Forks	5	897,780	747,070	150,710
The Team Makers Club, Inc., West Fargo	<u>2</u>	<u>983,762</u>	<u>838,509</u>	<u>145,253</u>
	164	\$35,954,178	\$28,967,264	\$6,986,914

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A copy of GAMING UPDATE is provided free of charge to all gaming distributors and organizations, and to the Gaming Commission and Advisory Board members.

Please share this newsletter with employees and members of your organization or distributorship.

EMPLOYMENT CHANGES IN THE GAMING DIVISION

Rebecca Rau joined the Gaming Division as an Auditor I on February 7th. Rebecca graduated from the University of Mary in May 2003 with a major in Accounting and a double minor in Computer Information Systems and Business Administration. She was most recently employed by a Bismarck trucking company.

Michele Wagner left her position as an Auditor with the Gaming Division in early January and has accepted an Accounting position with the Dept. of Corrections & Rehabilitation.

The Gaming Division welcomes Rebecca and wishes Michele success in her new position.